

HSBC Guaranteed Fund

31 July 2025

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Trustee's report HSBC Guaranteed Fund ("the Fund")

We hereby confirm that, to the best of our knowledge, the Manager of the Fund has, in all material respects, managed the Fund in accordance with the provisions of the Trust Deed dated 17 January 1992, as amended, for the year ended 31 July 2025.

)
) For and on behalf of
) HSBC Institutional Trust Services
) (Asia) Limited,
) Trustee
)

Independent Auditor's Report to the Unitholders of HSBC Guaranteed Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HSBC Guaranteed Fund ("the Fund") set out on pages 6 to 40, which comprise the statement of financial position as at 31 July 2025, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 July 2025 and of its financial transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The Manager and the Trustee of the Fund are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Unitholders of HSBC Guaranteed Fund (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Manager and the Trustee of the Fund for the Financial Statements

The Manager and the Trustee of the Fund are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the Manager and the Trustee of the Fund determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager and the Trustee of the Fund are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager and the Trustee of the Fund either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

In addition, the Manager and the Trustee of the Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed, as amended ("the Trust Deed"), and the relevant disclosure provisions of Appendix E of the Code on Unit Trusts and Mutual Funds ("the SFC Code") issued by the Hong Kong Securities and Futures Commission.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

Independent Auditor's Report to the Unitholders of HSBC Guaranteed Fund (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager and the Trustee of the Fund.
- Conclude on the appropriateness of the Manager's and the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager and the Trustee of the Fund regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report to the Unitholders of HSBC Guaranteed Fund (continued)

Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

The engagement partner on the audit resulting in this independent auditor's report is LEE, Nam San Nelson (practicing certificate number: P08066).

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 November 2025

Statement of Financial Position as at 31 July 2025 (Expressed in Hong Kong dollars)

	Notes	31 July 2025 HKD	31 July 2024 HKD
Assets			
Financial assets at fair value through profit or loss	5,7(f), 7(i),10,11	208,791,953	220,889,291
Interest and dividends receivable		13,929	4,163
Amount receivable from the guarantor on return shortfall	7(h)	2,004,371	2,013,974
Cash and cash equivalents	7(b)	<u>4,737,682</u>	<u>4,596,427</u>
		<u>215,547,935</u>	<u>227,503,855</u>
Liabilities			
Financial liabilities at fair value through profit or loss	5,7(i),10,11	-	91,524
Redemptions payable		1,022,072	-
Amounts due to brokers	6	-	556,496
Other payables	7(a), 7(c),7(d), 7(g),7(h)	<u>747,944</u>	<u>1,932,674</u>
		<u>1,770,016</u>	<u>2,580,694</u>
Net assets attributable to unitholders		<u>213,777,919</u>	<u>224,923,161</u>
Representing:			
Financial liabilities		<u>213,777,919</u>	<u>224,923,161</u>
Total number of units in issue			
Ordinary units	9	<u>2,198,609</u>	<u>2,786,988</u>
Special units	9	<u>3,097,507</u>	<u>3,629,733</u>
SPY units	9	<u>2,485,716</u>	<u>2,739,540</u>

Statement of Financial Position as at 31 July 2025 (continued)

(Expressed in Hong Kong dollars)

	Notes	2025 HKD	2024 HKD
Net asset value per unit			
Ordinary units	9	<u>29.54</u>	<u>26.38</u>
Special units	9	<u>26.46</u>	<u>23.64</u>
SPY units	9	<u>26.90</u>	<u>23.94</u>

Approved by the Trustee and the Manager on 28 November 2025.

)
) For and on behalf of
) HSBC Institutional Trust Services
) (Asia) Limited,
) Trustee
)
)
) For and on behalf of
) HSBC Investment Funds
) (Hong Kong) Limited,
) Manager
)

The notes on pages 12 to 40 form part of these financial statements.

Statement of Comprehensive Income for the year ended 31 July 2025 (Expressed in Hong Kong dollars)

	Notes	2025 HKD	2024 HKD
Interest income	7(b)	241,190	480,321
Dividend income	7(f)	956,275	1,018,297
Net gains from financial instruments at fair value through profit or loss	3	27,059,732	7,469,885
Net foreign exchange gains		28,328	1,075
Sundry income		179,344	8,893
Total investment income		28,464,869	8,978,471
Management fees	7(a)	546,915	585,304
Transaction costs	7(d),7(e)	84,341	64,544
Trustee's fees	7(c)	529,822	540,700
Administrative fees	7(g)	1,024,819	1,106,077
Auditor's remuneration		110,068	110,195
Legal and professional fees		40,840	-
Registrar's fees	7(a)	35,684	39,268
Safe custody fees, bank charges and miscellaneous expenses	7(b),7(d)	64,368	59,483
Guarantee fees	7(h)	1,093,830	1,170,608
Total operating expenses		3,530,687	3,676,179
Net profit from operations before taxation		24,934,182	5,302,292
Taxation	4	(90,067)	(157,379)
Increase in net assets attributable to unitholders and total comprehensive income for the year		24,844,115	5,144,913

The notes on pages 12 to 40 form part of these financial statements.

Statement of Changes in Net Assets attributable to Unitholders for the year ended 31 July 2025

(Expressed in Hong Kong dollars)

	2025 HKD	2024 HKD
Balance at the beginning of the year	224,923,161	256,428,637
Increase in net assets attributable to unitholders and total comprehensive income for the year	24,844,115	5,144,913
Redemptions of units		
Ordinary units	(16,353,513)	(21,317,136)
Special units	(13,202,094)	(9,067,264)
SPY units	(6,433,750)	(6,265,989)
	(35,989,357)	(36,650,389)
Balance at the end of the year	213,777,919	224,923,161

The movement of number of units in issue during the years was as follows:

Ordinary units

	2025	2024
Number of units in issue brought forward	2,786,988	3,631,795
Units redeemed during the year	(588,379)	(844,807)
Number of units in issue carried forward	2,198,609	2,786,988

Statement of Changes in Net Assets attributable to
 Unitholders for the year ended 31 July 2025 (continued)
 (Expressed in Hong Kong dollars)

Special units

	2025	2024
Number of units in issue brought forward	3,629,733	4,029,367
Units redeemed during the year	<u>(532,226)</u>	<u>(399,634)</u>
Number of units in issue carried forward	<u>3,097,507</u>	<u>3,629,733</u>

SPY units

	2025	2024
Number of units in issue brought forward	2,739,540	3,012,515
Units redeemed during the year	<u>(253,824)</u>	<u>(272,975)</u>
Number of units in issue carried forward	<u>2,485,716</u>	<u>2,739,540</u>

The notes on pages 12 to 40 form part of these financial statements.

Cash Flow Statement for the year ended 31 July 2025 (Expressed in Hong Kong dollars)

	2025 HKD	2024 HKD
Operating activities		
Interest received	241,052	488,279
Dividends received	946,648	1,018,297
Management fees paid	(547,574)	(589,171)
Trustee's fees paid	(528,758)	(539,313)
Sundry income received	179,344	8,893
Payments on purchase of investments	(97,840,956)	(84,027,192)
Payments to the guarantor	(1,950,043)	(423,570)
Proceeds from sale of investments (including interest income from investments)	136,350,006	110,108,191
Tax paid	(90,067)	(157,379)
Other operating expenses paid	(433,651)	(276,178)
Administration fees paid	(1,217,461)	(1,158,113)
Net cash generated from operating activities	<u>35,108,540</u>	<u>24,452,744</u>
Financing activity		
Payments on redemption of units	(34,967,285)	(37,546,579)
Cash used in financing activity	<u>(34,967,285)</u>	<u>(37,546,579)</u>
Net increase/(decrease) in cash and cash equivalents	141,255	(13,093,835)
Cash and cash equivalents at the beginning of the year	<u>4,596,427</u>	<u>17,690,262</u>
Cash and cash equivalents at the end of the year	<u>4,737,682</u>	<u>4,596,427</u>

The notes on pages 12 to 40 form part of these financial statements.

Notes to the Financial Statements

1 The Fund

HSBC Guaranteed Fund (“the Fund”) is an open ended unit trust which was established under a trust deed dated 17 January 1992, as amended (“the Trust Deed”) made between HSBC Investment Funds (Hong Kong) Limited (the “Manager”) and HSBC International Trust Services (Asia) Limited (the “Trustee”). The Trust Deed is governed by the laws of Hong Kong. The objective of the Fund is to provide an investment vehicle for provident and retirement schemes to achieve long-term capital appreciation through a professionally managed fund with a guaranteed minimum return of 5% per annum subject to the occurrence of qualifying events as stated in the Trust Deed.

Under a Deed of Variation dated 6 January 1994, the Trustee is allowed to create different classes of units to which different amounts or rates of fees or charges shall apply in respect of fiscal charges, initial charges, management fees, surcharges and trustee fees. Three classes of units have been issued, namely ordinary, special and SPY, which are subject to fees and charges as set out in note 7 to the financial statements.

The Fund is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”) and is governed by the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC (the “SFC code”).

2 Material accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, and the relevant provisions of the Trust Deed and the relevant disclosure provisions of the SFC code. Material accounting policies adopted by the Fund are set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Fund for the current and prior accounting periods reflected in these financial statements.

2 Material accounting policies (continued)

(b) Basis of preparation of the financial statements

The functional and presentation currency of the Fund is the Hong Kong dollar (“HKD”) reflecting the fact that the participating redeemable units of the Fund are issued and redeemed in Hong Kong dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss (“FVTPL”). Other financial assets and financial liabilities are stated at amortised cost or redemption amount (redeemable units).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The HKICPA has issued certain amendments to HKFRSs that are first effective for the current accounting year of the Fund. None of these developments have had a material effect on how the Fund’s result and financial position for the current or prior years have been prepared or presented in this financial report. The Fund has not applied other new standard or interpretation that is not yet effective for the current accounting year (see note 14).

(d) Foreign currency translation

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of the statement of financial position. Foreign currency exchange differences arising on translation and realised gains and losses on disposal or settlement of monetary assets and liabilities are recognised in profit or loss.

Foreign currency exchange differences relating to investments at FVTPL are included in net gains or losses from financial instruments at FVTPL. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

2 Material accounting policies (continued)

(e) Financial instruments

(i) Classification

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

All other financial assets of the Fund is measured at FVTPL.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

(i) Classification (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes interest and dividends receivable, amount receivable from the guarantor on return shortfall and cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes equity, unit trusts and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Assessment whether contractual cash flows are SPPI

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration for the time value of money (e.g. periodical reset of interest rates).

2 Material accounting policies (continued)

(e) Financial instruments (continued)

(i) Classification (continued)

The Fund classifies its investments based on the business model and contractual cash flows assessment. Accordingly, the Fund classifies all its equity, unit trusts and derivatives into financial assets at FVTPL category. Financial assets measured at amortised cost include interest and dividends receivable, amount receivable from the guarantor on return shortfall and cash and cash equivalents. Financial liabilities that are not at fair value through profit or loss included redemptions payable, amounts due to brokers and other payables.

All derivative financial instruments in a net receivable position (positive fair value) are reported as financial assets. All derivatives financial instruments in a net payable position (negative fair value) are reported as financial liabilities.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition unless the Fund was to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

(ii) Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKFRS 9.

(iii) Measurement

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at FVTPL are expensed immediately, while on other financial instruments that they are amortised.

Subsequent to initial recognition, all instruments classified at FVTPL are measured at fair value with changes in their fair value recognised in profit or loss.

Financial assets classified as measured at amortised cost are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

(iv) Fair value measurement principles

Financial liabilities other than those at FVTPL are measured at amortised cost using the effective interest rate method. Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the unitholders' right to a residual interest in the Fund's assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument provided such price is within the bid-ask spread. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In circumstances where the quoted price is not within the bid-ask spread, the Manager of the Fund will determine the points within the bid-ask spread that are most representative of the fair value.

When there is no quoted price in an active market, the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Fund determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Fund measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Fund on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

(iv) Fair value measurement principles(continued)

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Impairment

At each reporting date, the Fund assesses whether credit risk for financial assets held at amortised cost has increased significantly since initial recognition. If there is a significant increase in credit risk since initial recognition, then the Fund measures the loss allowances on financial assets at an amount equal to the lifetime expected credit losses.

If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowances on financial assets at an amount equal to the expected credit losses for the later of 12 months or the period to maturity if the amount is material. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered as credit impaired.

(vii) Derecognition

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKFRS 9.

The Fund uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or has expired.

(viii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

(ix) Specific instruments

Cash and cash equivalents

Cash comprises current deposits and time deposit with maturities of three months or less from the date of acquisition with banks. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Revenue recognition

Provided it is probable that the economic benefits will flow to the Fund and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Dividends

Dividend income from listed equity investments is recognised when the share price of the investment goes ex-dividend. Dividends from other investments are recognised in profit or loss as dividend income when declared. In some cases, the Fund may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases, the Fund recognises the dividend income for the amount of the equivalent cash dividend with the corresponding debit treated as an additional investment.

(ii) Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method using the rate exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. Interest income on bank deposits is disclosed separately on the face of the statement of comprehensive income. Interest income on debt securities is included in net gains or losses from financial instruments at FVTPL.

(g) Expenses

All expenses are recognised in profit or loss on an accrual basis.

(h) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in profit or loss line item "Net foreign exchange losses" are net of foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified as FVTPL.

2 Material accounting policies (continued)

(i) Related parties

- (a) A person, or a close member of that person's family, is related to the Fund if that person:
- (i) has control or joint control over the Fund;
 - (ii) has significant influence over the Fund; or
 - (iii) is a member of the key management personnel of the Fund.
- (b) An entity is related to the Fund if any of the following conditions applies:
- (i) The entity and the Fund are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of an entity related to the Fund;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in note 2(i)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Fund.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(j) Subscriptions and redemptions

The Fund recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

2 Material accounting policies (continued)

(k) Units in issue

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has multiple classes of redeemable units in issue - the “Ordinary” class, the “Special” class and the “SPY” class. All classes belong to the most subordinate class of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions other than different fee rates. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders’ share in the Fund’s net assets at each daily redemption date, and also in the event of the Fund’s liquidation. The redeemable units are classified as financial liabilities and are measured at the present value of the redemption amounts.

(l) Segment reporting

An operating segment is a component of the Fund that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Fund’s other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Fund is identified as the Manager.

(m) Transaction costs

Transaction costs are costs incurred to acquire/dispose financial assets or liabilities at FVTPL. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs are expensed as incurred in the statement of comprehensive income.

3 Net gains from financial instruments at fair value through profit or loss

	2025 HKD	2024 HKD
Net realised gains/(losses) on sale of investments	8,180,014	(2,739,918)
Changes in unrealised gains in value of investments	<u>18,879,718</u>	<u>10,209,803</u>
	<u><u>27,059,732</u></u>	<u><u>7,469,885</u></u>

4 Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Fund is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

4 Taxation (continued)

Dividend income received by the Fund may be subject to non-recoverable withholding tax imposed in the country of origin. Dividend income is recorded gross of such taxes and the withholding tax is recognised in profit or loss as incurred.

Capital gains realised in certain jurisdictions may be subject to capital gains tax. Capital gains tax is charged to profit or loss on an accrual basis, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Taxation in profit or loss represents:

	2025 HKD	2024 HKD
Overseas withholding tax	90,067	157,379

5 Financial assets and financial liabilities at fair value through profit or loss

	2025 HKD	2024 HKD
Financial assets at fair value through profit or loss		
<i>Unit Trusts</i>		
Listed unit trusts	29,411,900	136,045,105
Unlisted but quoted unit trusts	179,371,970	84,844,186
	208,783,870	220,889,291
<i>Other investments</i>		
Equity	-	-
Foreign currency forward contracts	8,083	-
	208,791,953	220,889,291
Financial liabilities at fair value through profit or loss		
Foreign currency forward contracts	-	(91,524)
	-	(91,524)
Investments, at cost	194,377,021	225,262,553
Net unrealised gains/(losses) in value of investments	14,414,932	(4,464,786)
Investments, at fair value, net	208,791,953	220,797,767

6 Amounts due to brokers

	2025 HKD	2024 HKD
Balances due to brokers		
Amounts payable on purchase of investments	-	556,496

7 Related party transactions

The following is a summary of significant related party transactions or transactions entered into during the years ended 31 July 2025 and 2024 between the Fund, the Trustee, the Manager and their Connected Persons. Connected Persons are those as defined in the SFC code. All transactions during the years ended 31 July 2025 and 2024 between the Fund, the Trustee, the Manager and their Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Fund did not have any other transactions with Connected Persons except for those disclosed below.

- (a) The Fund is managed by the Manager which receives a management fee, payable monthly in arrears, equivalent to 0.25% per annum of the net asset value of the Fund during the years ended 31 July 2025 and 2024. In addition, the Trustee, as the registrar's agent of the Fund, receives registrar's fees of HKD35,000 (2024: HKD35,000) per annum for all classes of units and fees for various administrative functions performed on behalf of the Fund.

	2025 HKD	2024 HKD
(i) Management fees for the year	546,915	585,304
(ii) Registrar's fees and other administrative fees for the year	35,684	39,268
(iii) Management fees payable at year end	54,859	55,517
(iv) Registrar's fees and other administrative fees payable at year end	96,729	96,729

- (b) Bank accounts are maintained with The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. The balances of these accounts amounted to HKD1,597,682 (2024: HKD2,248,043) as at 31 July 2025. During the year ended 31 July 2025, HKD55,182 interest income was earned from bank accounts with HSBC Hong Kong (2024: HKD64,500). There was no bank charges incurred by the Fund during the year ended 31 July 2025 (2024: HKD650).

7 Related party transactions (continued)

- (c) The Trustee of the Fund is a fellow subsidiary of the Manager within the HSBC Group which receives a monthly fee equivalent to 0.05% per annum of the net asset value of ordinary units, 0.13% per annum of the net asset value of special units and 0.40% per annum of the net asset value of SPY units during the years ended 31 July 2025 and 2024, for various functions performed. In addition, the Trustee provides valuation services to unitholders in return for a weekly valuation fee of USD100 (2024: USD100).

	2025 HKD	2024 HKD
(i) Trustee's fees for the year	529,822	540,700
(ii) Trustee's fees payable at year end	53,191	52,128

- (d) The safe custodian of the Fund is HSBC Institutional Trust Services (Asia) Limited (the "Custodian"), a fellow subsidiary of the Manager within the HSBC Group, which receives a monthly fee equivalent to 0.15 to 62 basis points based on sub-custodian value of the securities during the years ended 31 July 2025 and 2024. The safe custodian also receives a transaction fee of USD4.4 to USD100 for each trade handled during the years ended 31 July 2025 and 2024.

	2025 HKD	2024 HKD
(i) Safe custody fees for the year	51,527	52,478
(ii) Safe custody fees payable at year end	23,550	23,436
(iii) Safe custody and transaction fees for the year	70,909	60,284
(iv) Safe custody and transactions fees payable at year end	228,210	227,335

- (e) In its purchases and sales of investments, the Fund utilises the services of the Manager and the brokerage services of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank Plc, which are members of the HSBC Group. Details of transactions effected through these companies are as follows:

	<i>The Hongkong and Shanghai Banking Corporation Limited</i>		<i>HSBC Bank Plc</i>	
	2025	2024	2025	2024
Commission paid for the year (in HKD)	669	-	-	-
Average rate of commission	10.03%	-	-	-
Total aggregate value of such transactions for the year (in HKD)	1,665,873	-	-	603,471
Percentage of such transactions in value to total transactions for the year	0.72%	-	-	0.32%

The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with these entities on any transactions by the Fund during the years ended 31 July 2025 and 2024.

7 Related party transactions (continued)

- (f) The Fund has invested in unit trusts issued by entities within the HSBC Group during the current and prior years. The value of these portfolio holdings as at 31 July and dividend income earned for the year are as follows:

	<i>HSBC Holdings plc</i>	
	2025	2024
	<i>HKD</i>	<i>HKD</i>
Market value	179,371,970	198,028,363
Dividend income earned for the year	<u>506,616</u>	<u>603,887</u>

- (g) HSBC Life (International) Limited, a fellow subsidiary of the Manager and the Trustee within the HSBC Group, receives a monthly administration fee equivalent to 0.7% per annum of the net asset value of ordinary units and 0.27% per annum of the net asset value of special units in return for providing certain administrative services to holders of the relevant units during the years ended 31 July 2025 and 2024.

	2025	2024
	<i>HKD</i>	<i>HKD</i>
(i) Administrative fees for the year	1,024,819	1,106,077
(ii) Administrative fees payable at year end	<u>72,771</u>	<u>265,413</u>

- (h) The Hongkong and Shanghai Banking Corporation Limited (the “guarantor”) provides irrevocable guarantees to the unitholders of the Fund on the terms and conditions set out in the various guarantee deeds.

On the condition that the qualifying events have occurred, a minimum investment return is guaranteed by the guarantor on redemption of units, calculated based on the issue price of each unit, plus a return of 5% per annum, compounded from the date of issue of the units. The guarantor receives an annual guarantee fee equivalent to 0.5% per annum of the net asset value of the Fund.

	2025	2024
	<i>HKD</i>	<i>HKD</i>
(i) Guarantee fees for the year	1,093,830	1,170,608
(ii) Guarantee fees payable at year end	<u>112,665</u>	<u>978,480</u>

The balance of the return shortfall receivable from the guarantor amounted to HKD2,004,371 (2024: HKD2,013,974) as at 31 July 2025.

7 Related party transactions (continued)

- (i) During the years ended 31 July 2025 and 2024, the Fund entered into foreign currency forward contracts with The Hong Kong and Shanghai Banking Corporation Limited, a connected person of the custodian. The details of the outstanding foreign currency forward contracts with The Hongkong and Shanghai Banking Corporation Limited as at 31 July 2025 and 2024 are as follows:

	2025 HKD	2024 HKD
Receivable on forward contracts gain	8,083	-
Payables on forward contracts loss	-	(91,524)
Net realised loss on exit of forward contracts	(112,690)	(714,162)

8 Soft commission arrangements

During the years ended 31 July 2025 and 2024, the Manager had not entered into soft commission arrangements with brokers.

The Manager may enter into soft commission arrangements for the provision to the Manager or Connected Persons of goods and services which are of demonstrable benefit to the Unitholders provided that (i) the brokerage rates do not exceed customary institutional full service brokerage rates and the execution of transactions for the Fund is consistent with best execution standards, (ii) periodic disclosure is made in the annual report of the Fund in the form of a statement describing the soft dollar policies and practices of the Manager, including a description of goods and services received by it, and (iii) the availability of soft dollar arrangements is not the sole or primary purpose to perform or arrange transaction with such broker or dealer.

For the avoidance of doubt (and without prejudice to the generality of the foregoing) the following goods and services may be considered as of such benefit to Unitholders: research and advisory services; economic and political analysis; portfolio analysis (including valuation and performance measurement); market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services; and investment-related publications.

9 Units issued and redeemed

Number of units and the net asset value per unit at the reporting date were as follows:

	2025	2024
Number of units		
Ordinary units	2,198,609	2,786,988
Special units	3,097,507	3,629,733
SPY units	2,485,716	2,739,540
	2025	2024
Net asset value per unit		
Ordinary units	29.54	26.38
Special units	26.46	23.64
SPY units	26.90	23.94

10 Financial instruments and associated risks

The Fund maintains an investment portfolio in a variety of listed and unlisted but quoted financial instruments as dictated by its investment management strategy. The investment objective of the Fund is to provide unitholders with long-term return by investing in a diversified portfolio of equity and fixed income securities. The Fund's investment portfolio comprises unit trusts and derivatives.

The Fund's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The Manager and the Trustee have set out below the most important types of financial risks inherent in each type of financial instrument. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Fund. Unitholders should note that additional information in respect of risks associated with financial instruments in the Fund can be found in the Fund's offering document.

The asset allocation is determined by the Manager who manages and monitors the distribution of the assets to achieve the investment objective.

The nature and extent of the financial instruments outstanding at the date of the statement of financial position and the risk management policies employed by the Fund are discussed below.

10 Financial instruments and associated risks (continued)

(a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Fund is exposed to price risk arising from changes in market prices. Price risk is managed by investing in a portfolio of different investments in accordance with the investment objectives of the Fund.

Price sensitivity

The impact of a 5% (2024: 5%) increase in value of the investments as at 31 July 2025, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset attributable to unitholders by an approximately equal but opposite amount. The analysis is performed on the same basis for 2024.

	<i>Market exposures HKD</i>	<i>Change in net assets if investment value increased by 5% HKD</i>
As at 31 July 2025		
Unit trusts	<u>208,783,870</u>	<u>10,439,194</u>
	<i>Market exposures HKD</i>	<i>Change in net assets if investment value increased by 5% HKD</i>
As at 31 July 2024		
Unit trusts	<u>220,889,291</u>	<u>11,044,465</u>

(b) Interest rate risk

Interest rate risk arises from changes in interest rates which may affect the value of debt instruments and therefore result in potential gain or loss to the Fund. The Fund's interest rate risk is managed on an ongoing basis by the Manager.

During the years ended 31 July 2025 and 2024, the Fund did not invest in interest-bearing assets, hence does not expose to interest rate risk arises from changes in interest rates.

The following table indicates the period in which the interest-bearing assets mature and re-price at the date as at 31 July 2025 and 2024.

10 Financial instruments and associated risks (continued)

(b) Interest rate risk (continued)

All amounts stated in '000

	2025				Total HKD
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	
Financial assets at fair value through profit or loss	-	-	-	208,792	208,792
Cash and cash equivalents	4,738	-	-	-	4,738
Interest sensitivity gap	4,738	-	-		
	2024				Total HKD
	1 year or less HKD	Over 1 year to 5 years HKD	Over 5 years HKD	Non-interest bearing HKD	
Financial assets at fair value through profit or loss	-	-	-	220,889	220,889
Cash and cash equivalents	4,596	-	-	-	4,596
Financial liabilities at fair value through profit or loss	-	-	-	(92)	(92)
Interest sensitivity gap	4,596	-	-		

Interest rate sensitivity

At the date of the statement of financial position, since the Fund has not invested in interest-bearing assets, the Manager considers the movement in interest rates will not have a significant impact on the net assets attributable to unitholders and the profit or loss.

10 Financial instruments and associated risks (continued)

(c) Currency risk

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the Hong Kong dollar.

The fluctuations in the rate of exchange between the currency in which the asset or liability is denominated and the functional currency could result in an appreciation or depreciation in the fair value of that asset or liability. The Manager may attempt to mitigate this risk by using financial derivative instruments. The Manager monitors the Fund's currency exposures on an ongoing basis.

Currency sensitivity

At 31 July 2025, had the HKD weakened by 5% (2024: 5%) in relation to respective currencies, with all other variables held constant, net assets attributable to unitholders and the profit for the year would have increased by the amounts shown below. The analysis is performed on the same basis for 2024.

	<i>Net exposure HKD</i>	<i>Change in net assets if HKD weakened by 5% HKD</i>
As at 31 July 2025		
<i>Currencies</i>		
Euro	3,123,297	156,165
Pound sterling	12,867,607	643,380
Total	15,990,904	799,545
	<i>Net exposure HKD</i>	<i>Change in net assets if HKD weakened by 5% HKD</i>
As at 31 July 2024		
<i>Currencies</i>		
Euro	3,302,505	165,125
Pound sterling	18,319,895	915,995
Total	21,622,400	1,081,120

10 Financial instruments and associated risks (continued)

(c) Currency risk (continued)

Currency sensitivity (continued)

As the HKD is pegged to the United States dollar (“USD”), the Fund does not expect any significant movements in USD/HKD exchange rate. A 5% appreciation of the HKD against the above currencies would have resulted in an equal but opposite effect on the financial statement amounts, on the basis that all other variables remain constant.

(d) Credit risk

(i) Analysis of credit policy and concentration of credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund’s exposure to credit risk is monitored by the Manager on an ongoing basis.

As at 31 July 2025 and 2024, all of the Fund’s financial assets were exposed to credit risk. These include financial asset at fair value through profit or loss, interest and dividends receivables, and cash and cash equivalents placed with banks and the custodian.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

All of the cash held by the Fund is deposited with banks. Bankruptcy or insolvency of the banks may cause the Fund’s rights with respect to the cash held by the banks to be delayed or limited. The Manager monitors the credit rating and financial position of the banks on an ongoing basis.

Substantially all of the assets of the sub-funds are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the sub-funds’ rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of HSBC, for which the long-term credit rating is A3 (2024: A3), as determined by Moody’s.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of the statement of financial position.

(ii) Offsetting financial assets and financial liabilities

None of the financial assets and financial liabilities is offset in the statement of financial position.

As at 31 July 2025 and 2024, the disclosure set out in the table below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement.

10 Financial instruments and associated risks (continued)

(d) Credit risk (continued)

(ii) Offsetting financial assets and financial liabilities (continued)

The enforceable master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following of event of default, insolvency or bankruptcy of the Fund or its counterparties. In addition, the Fund and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

As at 31 July 2025

Financial assets subject to enforceable master netting arrangements

	Gross amounts of recognised financial assets HKD	Gross amounts of recognised financial assets offset in the statement of financial position HKD	Net amounts of financial assets presented in the statement of financial position HKD	Amounts of financial instruments HKD	Cash collateral received HKD	Net amount HKD
- Financial derivative instruments:						
- Foreign currency forward contracts						
- Counterparty A	8,083	-	8,083	-	-	8,083

As at 31 July 2024

Financial liabilities subject to enforceable master netting arrangements

	Gross amounts of recognised financial liabilities HKD	Gross amounts of recognised financial assets offset in the statement of financial position HKD	Net amounts of financial liabilities presented in the statement of financial position HKD	Amounts of financial instruments HKD	Cash collateral received HKD	Net amount HKD
- Financial derivative instruments:						
- Foreign currency forward contracts						
- Counterparty A	(91,524)	-	(91,524)	-	-	(91,524)

The gross amounts of recognised financial assets and financial liabilities and their net amounts presented in the statement of financial position disclosed in the above tables have been measured in the statement of financial position at fair value.

The tables below reconcile the “Net amounts of financial assets and financial liabilities presented in the statement of financial position”, as set out above, to the line items presented in the statement of financial position.

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position.

10 Financial instruments and associated risks (continued)

(d) Credit risk (continued)

(ii) Offsetting financial assets and financial liabilities (continued)

As at 31 July 2025

Financial assets

	Net amounts HKD	Carrying amount in statement of financial position HKD	Financial assets not in scope of offsetting disclosures HKD
Financial assets at fair value through profit or loss:			
- Foreign currency forward contracts			
- Counterparty A	8,083	8,083	-
	8,083	8,083	-

As at 31 July 2024

Financial liabilities

	Net amounts HKD	Carrying amount in statement of financial position HKD	Financial assets not in scope of offsetting disclosures HKD
Financial liabilities at fair value through profit or loss:			
- Foreign currency forward contracts			
- Counterparty A	(91,524)	(91,524)	-
	(91,524)	(91,524)	-

(iii) Amounts arising from ECL

Impairment on interest and dividends receivable, amount receivable from the guarantor on return shortfall and cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that these exposures have low credit risk based on the external credit ratings and/or review result of the counterparties.

The Manager of the Fund monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties and/or performed ongoing review of the counterparties.

The Manager considers the probability of default to be minimal as the counterparties have a strong capacity to meet their contractual obligations in the near term. There is no impairment allowance recognised on interest and dividends receivable, amounts receivable from guarantor and cash and cash equivalents for the years ended 31 July 2025 and 2024.

10 Financial instruments and associated risks (continued)

(e) *Liquidity risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The Fund's listed investments are generally considered to have insignificant exposure to liquidity risk as they are all readily realisable on the stock exchange on which they are listed. The Fund also invests in unlisted investments such as unit trusts, which are not publicly traded on exchanges and may be illiquid.

As at 31 July 2025 and 2024, the Fund's financial liabilities are due within three months, except for net assets attributable to unitholders which are repayable on demand.

(f) *Capital management*

The Fund's capital as at the year end date is represented by its redeemable units, which is classified as financial liabilities.

The Fund's objective in managing the capital is to ensure a stable and strong base to achieve long-term capital appreciation, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives and policies stated in the Fund's Explanatory Memorandum.

There were no changes in the policies and procedures during the year with respect to the Fund's approach to its capital management.

The amount and the movement of net assets attributable to unitholders are stated in the statement of changes in net assets attributable to unitholders. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from the historical experience.

(g) *Specific instruments*

Forward contracts

Forward contracts are commitments either to purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or the underlying financial asset.

10 Financial instruments and associated risks (continued)

(g) Specific instruments (continued)

Forward contracts (continued)

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a forward contract and may result in substantial losses to the Fund. Forward contracts are generally subject to liquidity risk.

As at 31 July 2025 and 2024, the Fund's holdings in foreign currency forward contracts were as specified in the following tables.

As at 31 July 2025

<i>Buy</i>	<i>Sell</i>	<i>Settlement date</i>	<i>Fair value assets HKD</i>	<i>Fair value liabilities HKD</i>
USD402,678	EUR350,000	09 September 2025	8,083	-
			<u>8,083</u>	<u>-</u>

As at 31 July 2024

<i>Buy</i>	<i>Sell</i>	<i>Settlement date</i>	<i>Fair value assets HKD</i>	<i>Fair value liabilities HKD</i>
NOK3,060,000	EUR269,178	24 September 2024	-	(91,524)
			<u>-</u>	<u>(91,524)</u>

11 Fair value information

The Fund's financial instruments are measured at fair value on the date of the statement of financial position. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including amount receivable from the guarantor on return shortfall, interest and dividends receivable, redemptions payable, amounts due to brokers and other payables, the carrying amounts approximate fair values due to the intermediate or short-term nature of these financial instruments.

11 Fair value information (continued)

Valuation of financial instruments

The Fund's accounting policy on fair value measurements is detailed in material accounting policy in note 2(e)(iv).

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

When fair values of listed and quoted investments at the reporting date are based on quoted market prices or binding dealer price quotations in an active market, without any deduction for transactions costs, the instruments are included within level 1 of the hierarchy. When fair values of debt securities at the reporting date represent quoted prices in markets that are considered less than active or consensus prices derived by third parties using valuation techniques where all significant inputs are directly or indirectly observable from market data, those debt securities are included within level 2 of the hierarchy. For all other financial instruments, the Fund determines fair value using valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognised valuation models for determining the fair value of the debt securities and unit trusts which do not have quoted market prices in active markets. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

11 Fair value information (continued)

The following analyses financial instruments at fair value through profit and loss at the date of the statement of financial position, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial instruments at fair value through profit or loss

	<i>Level 1 HKD</i>	<i>Level 2 HKD</i>	<i>Level 3 HKD</i>	<i>Total HKD</i>
31 July 2025				
Financial assets				
Equity	-	-	-	-
Unit trusts	-	208,783,870	-	208,783,870
Foreign currency forward contracts	-	8,083	-	8,083
	<u>-</u>	<u>208,791,953</u>	<u>-</u>	<u>208,791,953</u>
	<u>-</u>	<u>208,791,953</u>	<u>-</u>	<u>208,791,953</u>
31 July 2024				
Financial assets				
Equity	-	-	-	-
Unit trusts	-	220,889,291	-	220,889,291
	<u>-</u>	<u>220,889,291</u>	<u>-</u>	<u>220,889,291</u>
	<u>-</u>	<u>220,889,291</u>	<u>-</u>	<u>220,889,291</u>
Financial liabilities				
Foreign currency forward contracts	-	91,524	-	91,524
	<u>-</u>	<u>91,524</u>	<u>-</u>	<u>91,524</u>
	<u>-</u>	<u>91,524</u>	<u>-</u>	<u>91,524</u>

During the years ended 31 July 2025 and 2024, there were no transfers of financial instruments between the fair value hierarchy levels.

Valuation of financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate their fair value.

12 Segment information

The Manager makes strategic resource allocation on behalf of the Fund and determines the operating segments based on the internal reporting used to make strategic decisions.

The Manager's asset allocation decisions are based on one single and integrated investment strategy, and the Fund's performance is evaluated on an overall basis. Accordingly, the Manager considers that the Fund has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in its explanatory memorandum of the Fund. There were no changes in the reportable operating segment during the years ended 31 July 2025 and 2024.

All revenues and losses generated from investments by the Fund are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in statement of comprehensive income and the statement of financial position.

The Fund is domiciled in Hong Kong. All of the Fund's income from investments is mainly from unit trusts and derivatives.

13 Involvement with unconsolidated structured entities

The Fund has concluded that the quoted unit trusts in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- the voting rights in the investment funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- each investment fund's activities are restricted by its prospectus; and
- the investment funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Fund does not consolidate but in which it holds an interest.

<i>Type of structured entity</i>	<i>Nature and purpose</i>	<i>Interest held by the Fund</i>
Unit trusts	To manage assets on behalf of third party investors and generate fees for the investment manager These vehicles are financed through the issue of units to investors	Investment in units issued by the unit trusts

13 Involvement with unconsolidated structured entities (continued)

The table below sets out interests held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

31 July 2025		
<i>Number of investee funds</i>	<i>Total net assets (based on unaudited information) (in millions)</i>	<i>Carrying amount included in "Financial assets of fair value through profit or loss" (in millions)</i>
Listed unit trusts	16	5,963,996
Unlisted but quoted unit trusts	9	342,429
		29
		180
31 July 2024		
<i>Number of investee funds</i>	<i>Total net assets (based on unaudited information) (in millions)</i>	<i>Carrying amount included in "Financial assets of fair value through profit or loss" (in millions)</i>
Listed unit trusts	15	852,457
Unlisted but quoted unit trusts	4	862
		136
		85

During the years ended 31 July 2025 and 2024, the Fund did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

The Fund can sell units in the above listed investment funds on each trade day and redeem units in the above unlisted investment fund on each of their dealing day.

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 July 2025

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the year ended 31 July 2025 and which have not been adopted in these financial statements.

Of these developments, the following may be relevant to the Fund's operations and financial statements:

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 21, <i>The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability</i>	1 January 2025
Amendments to HKFRS 9, <i>Financial Instruments and HKFRS 7, Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to HKFRS Accounting Standards: <i>Volume II</i>	1 January 2026
HKFRS 18, <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027

14 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 July 2025 (continued)

The Fund is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Fund's result of operations and financial position.

15 Event occurring after year-end date

In preparing these financial statements, the Manager and the Trustee have evaluated all significant events up to the date the financial statements are approved and authorised for issue. There were no subsequent events that would require adjustment or disclosure to these financial statements.

16 Approval of financial statements

The financial statements were approved by the Manager and the Trustee on 28 November 2025.

Portfolio Statement as at 31 July 2025 (Unaudited)
 (Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HKD</i>	<i>% of net asset value</i>
Financial assets			
Equities			
<i>Unlisted investments</i>			
<i>United States of America</i>			
MARRIOTT INTERNATIONAL INC	95,480	_____ -	_____ -
		_____ -	_____ -
<i>Unlisted investments (Total)</i>		_____ -	_____ -
Equities (total)		_____ -	_____ -

Portfolio Statement as at 31 July 2025 (Unaudited)
(continued)
(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HKD</i>	<i>% of net asset value</i>
Unit trusts			
<i>Listed investments</i>			
<i>Hong Kong</i>			
BLACKROCK ASSET MANAGEMENT NORTH ASIA LTD - ISHARES HANG SENG TECH ETF	205,100	2,356,599	1.10
CHINA ASSET MANAGEMENT LTD - CHINA AMC ETF SERIES - CHINA AMC CSI 300 INDEX ETF	22,600	1,039,148	0.49
MIRAE ASSET GLOBAL INVESTMENTS HONG KONG LTD/HK-GLOBAL X HS HIGH DVD YLD ETF	44,900	1,331,734	0.62
TRACKER FUND OF HONG KONG	30,849	<u>779,246</u>	<u>0.36</u>
		<u>5,506,727</u>	<u>2.57</u>
<i>Luxembourg</i>			
AMUNDI LUXEMBOURG SA - AMUNDI EURO GOVERNMENT BOND 15+Y UCITS ETF	1,958	<u>3,123,297</u>	<u>1.46</u>
		<u>3,123,297</u>	<u>1.46</u>

Portfolio Statement as at 31 July 2025 (Unaudited)
(continued)
(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HKD</i>	<i>% of net asset value</i>
Unit trusts (Continued)			
<i>Listed investments (Continued)</i>			
<i>Singapore</i>			
ABF PAN ASIA BOND INDEX ETF	840	748,089	0.35
		<u>748,089</u>	<u>0.35</u>
<i>United States of America</i>			
BARCLAYS GLOBAL FUND ADVISORS- ISHARES MSCI MEXICO ETF	1,890	892,267	0.42
BLACKROCK FUND ADVISORS - ISHARES 20+ YEAR TREASURY BOND ETF*	1,585	1,081,480	0.51
BLACKROCK FUND ADVISORS - ISHARES CORE S&P 500 ETF	691	3,443,920	1.61
BLACKROCK FUND ADVISORS - ISHARES GLOBAL COMM SERVICES ETF	1,010	900,123	0.42
BLACKROCK FUND ADVISORS - ISHARES MSCI SOUTH KOREA ETF*	3,463	1,979,307	0.93
BLACKROCK FUND ADVISORS - ISHARES MSCI SPAIN CAPPED ETF	7,825	2,746,982	1.29
BLACKROCK FUND ADVISORS - ISHARES U.S. FINANCIALS ETF	1,774	1,701,049	0.79
COHEN & STEERS CAPITAL MANAGEMENT INC - ISHARES US TECHNOLOGY ETF*	2,276	3,239,393	1.51
ISHARES MSCI GERMANY ETF	6,607	2,134,243	1.00
ISHARES MSCI ITALY ETF	5,056	1,915,023	0.89
		<u>20,033,787</u>	<u>9.37</u>
<i>Listed investments (Total)</i>		<u>29,411,900</u>	<u>13.75</u>

Portfolio Statement as at 31 July 2025 (Unaudited)
(continued)
(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HKD</i>	<i>% of net asset value</i>
Unit trusts (continued)			
<i>Unlisted but quoted investments</i>			
<i>Hong Kong</i>			
HSBC INVESTMENT FUND (H.K.) LIMITED - HSBC POOLED AMERICAN EQUITY FUND W CLASS UNIT*	301,619	14,997,867	7.01
HSBC INVESTMENT FUND (H.K.) LIMITED - HSBC POOLED ASIA PAC EX JP EQ FD- W UNIT	240,006	12,613,478	5.90
HSBC INVESTMENT FUND (H.K.) LIMITED - HSBC POOLED HONG KONG EQUITY FUND W CLASS UNIT	880,473	33,982,989	15.90
HSBC POOLED INVESTMENT FUND - HSBC POOLED ASIAN BOND FUND CLASS W	746,832	11,428,690	5.35
HSBC POOLED INVESTMENT FUND - HSBC POOLED ASIAN LOCAL CURRENCY BOND FUND CLASS W	332,819	3,309,481	1.55
HSBC POOLED INVESTMENT FUND - HSBC POOLED WORLD BOND FUND CLASS W*	2,998,925	<u>45,633,137</u>	<u>21.35</u>
		<u>121,965,642</u>	<u>57.06</u>
<i>Ireland</i>			
HSBC INVESTMENT FUNDS LUXEMBOURG SA/LUXEMBOURG - HSBC GLOBAL FUNDS ICAV - GLOBA	3,349,829	<u>30,432,529</u>	<u>14.24</u>
		<u>30,432,529</u>	<u>14.24</u>
<i>Luxembourg</i>			
HSBC INVESTMENT FUNDS LUXEMBOURG SA - HSBC INV FD LUX SA EUROLAND VALUE Z DIS	25,260	<u>14,106,192</u>	<u>6.60</u>
		<u>14,106,192</u>	<u>6.60</u>

Portfolio Statement as at 31 July 2025 (Unaudited)
(continued)
(Expressed in Hong Kong dollars)

	<i>Holdings</i>	<i>Market value HKD</i>	<i>% of net asset value</i>
Unit trusts (continued)			
<i>Unlisted but quoted investments (continued)</i>			
<i>United Kingdom</i>			
HSBC INVESTMENT FUNDS UK LTD - HSBC INDEX TRACKER INV FUNDS - JAPAN INDEX FUND INS ACC	639,938	<u>12,867,607</u>	<u>6.02</u>
		<u>12,867,607</u>	<u>6.02</u>
<i>Unlisted but quoted investments (Total)</i>		<u>179,371,970</u>	<u>83.92</u>
Unit trusts (total)		<u>208,783,870</u>	<u>97.67</u>
<i>Derivative assets</i>			
Foreign currency forward contracts		<u>8,083</u>	<u>0.00</u>
Total financial assets		<u>208,791,953</u>	<u>97.67</u>
Total investments (Cost of investments: HKD194,377,021)		<u>208,791,953</u>	<u>97.67</u>
Other net assets		<u>4,985,966</u>	<u>2.33</u>
Total net assets		<u>213,777,919</u>	<u>100.00</u>

* The investment funds are not authorised in Hong Kong and are not available to the public in Hong Kong.

Statement of Movements in portfolio holdings
for the year ended 31 July 2025 (Unaudited)
(Expressed in Hong Kong dollars)

	% of net asset value 2025	% of net asset value 2024
Financial assets		
<i>Equities</i>		
<i>Unlisted investments</i>		
United States of America	0.00	0.00
<i>Unit trusts</i>		
Listed investments	13.75	60.49
Unlisted but quoted investments	83.92	37.72
	<u>97.67</u>	<u>98.21</u>
<i>Derivative assets</i>		
Foreign currency forward contracts	0.00	-
	<u>0.00</u>	<u>-</u>
Financial liabilities		
<i>Derivative liabilities</i>		
Foreign currency forward contracts	-	(0.04)
	<u>-</u>	<u>(0.04)</u>
Total investments	<u>97.67</u>	<u>98.17</u>
Other net assets	<u>2.33</u>	<u>1.83</u>
Total net assets	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Performance Record (Unaudited)

(Expressed in Hong Kong dollars)

(a) Price record (dealing net asset value per unit)

	<i>Highest offer price</i> HKD	<i>Lowest bid price</i> HKD
2016		
- Ordinary units	22.86	21.03
- Special units	20.06	18.48
- SPY units	20.11	18.52
2017		
- Ordinary units	24.95	22.28
- Special units	22.04	19.64
- SPY units	22.10	19.69
2018		
- Ordinary units	27.11	24.91
- Special units	23.99	22.01
- SPY units	24.05	22.07
2019		
- Ordinary units	25.61	23.66
- Special units	22.76	21.01
- SPY units	22.82	21.06
2020		
- Ordinary units	26.66	22.45
- Special units	23.80	20.02
- SPY units	23.86	20.07
2021		
- Ordinary units	30.25	26.66
- Special units	27.06	23.82
- SPY units	27.13	23.88
2022		
- Ordinary units	29.80	24.97
- Special units	26.65	22.34
- SPY units	26.78	22.49
2023		
- Ordinary units	26.24	22.74
- Special units	23.53	20.38
- SPY units	23.69	20.52

Performance Record (Unaudited) (continued)

(Expressed in Hong Kong dollars)

(a) Price record (dealing net asset value per unit) (continued)

	Highest offer price HKD	Lowest bid price HKD
2024		
- Ordinary units	26.58	23.84
- Special units	23.81	21.38
- SPY units	24.12	21.58
2025		
- Ordinary units	29.76	25.69
- Special units	26.66	23.03
- SPY units	27.10	23.32

Performance Record (Unaudited) (continued)

(Expressed in Hong Kong dollars)

(b) Total net asset value and net asset value per unit (calculated in accordance with HKFRS)

	HKD	HKD
2023		
- Ordinary units	93,436,475	25.73
- Special units	92,890,296	23.05
- SPY units	<u>70,101,866</u>	23.27
	<u>256,428,637</u>	
2024		
- Ordinary units	73,520,968	26.38
- Special units	85,805,653	23.64
- SPY units	<u>65,596,540</u>	23.94
	<u>224,923,161</u>	
2025		
- Ordinary units	64,940,356	29.54
- Special units	81,962,877	26.46
- SPY units	<u>66,874,686</u>	26.90
	<u>213,777,919</u>	

Performance Record (Unaudited) (continued)

(Expressed in Hong Kong dollars)

(c) **Total expense ratio**

	2023		
	<i>Average net asset value HKD</i>	<i>Total expenses HKD</i>	<i>Total expense ratio %</i>
- Ordinary class	99,386,086	1,623,306	1.63%
- Special class	96,869,199	1,500,965	1.55%
- SPY class	72,091,230	925,272	1.28%
	2024		
	<i>Average net asset value HKD</i>	<i>Total expenses HKD</i>	<i>Total expense ratio %</i>
- Ordinary class	81,408,722	1,358,710	1.67%
- Special class	87,041,457	1,448,788	1.66%
- SPY class	65,607,740	864,982	1.32%
	2025		
	<i>Average net asset value HKD</i>	<i>Total expenses HKD</i>	<i>Total expense ratio %</i>
- Ordinary class	69,086,035	1,175,887	1.70%
- Special class	83,421,073	1,444,338	1.73%
- SPY class	66,388,568	897,594	1.35%

SFC ESG related disclosure for the year ended 31 July 2025 (Unaudited)

(a) HSBC Guaranteed Fund's Carbon Footprint including formula

	Carbon Footprint	Coverage	Holdings Weight
Carbon Footprint*	67.26	96%	53%

* Expressed in CO2e/USDmn invested using Scope 1+2 Carbon Emissions, source from S&P Trucost

(b) Corporate Carbon Footprint (tonnes CO2e/USDmn) :

The GHG emissions apportioned to the portfolio per million USD owned by the portfolio. Each holding's contribution to the carbon footprint of the portfolio is calculated on an equity ownership basis using the Enterprise Value (EVIC) of the companies. The carbon footprint of the fund is the sum of these contributions, normalised by amount owned.

$$\frac{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1 and 2 GHG emissions}_i \right)}{\text{current value of all 'covered' investments (USDm)}}$$

Coverage : This indicates the proportion of the fund for which data can be sourced.

(c) Assumption/data limitation

This GHG consists to sum of the carbon emissions (scope 1, 2 and 3) of issuer divided by enterprise value, multiplied by the weight of the investment. Enterprise Value, including cash (EVIC) in million Euro are sourced from AM's reporting vendor FactSet. It is a measure of carbon emissions ownership, as it takes into account the proportion of emissions per investment, relative to the total size of the issuer value. However, carbon footprint can fluctuate without a change in carbon emissions as a result of changes in issuer value. Total carbon footprint is the sum of all issuer carbon footprint, divided by the value of all 'covered' investment.

Data limitation: Carbon emissions (Scope 1, 2 & 3) are primarily based on company carbon disclosures, or estimated by S&P Trucost in the absence of company reports. It is worth noting the lack of coverage of scope 3 GHG emissions and some niche asset classes (such as Small Caps, High Yield or emerging markets issuers). These gaps are due to companies not reporting emissions and it is not appropriate to estimate non-reported emissions for niche asset classes or sub-industries.

It is important to note that we decided to zero down the carbon emission for internally approved green bonds - i.e. green bonds for which "greenness" has been ascertained and approved by a fully-fledged HSBC AM committee. This option has been set in the absence of a more accurate and systematic assessment which would consist in applying to the concerned bond a reduced CHG emissions based on the financed projects / use of proceeds. The same abatement ("zeroing") will apply similarly to portfolio position and corresponding benchmark components.

Administration (Unaudited)

Manager

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Directors of the Manager

Michael CROSS
Ka Yin Joanne LAU
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Edgar GEHRINGER

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